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NOTIFICATIONS BY GOVERNMENT

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FINANCE DEPARTMENT
(CASP&FC)

FOURTH STATE FINANCE COMMISSION - FIXING THE TERMS OF REFERENCE (FUNCTIONS).

[G.O.Ms.No. 64, Finance (CASP&FC), 15th May, 2018.]

NOTIFICATION

In pursuance of the provisions of the Article 243-1 and section 235 of Andhra Pradesh Panchayat Raj Act, 1994 the Fourth State Finance Commission under the Chairmanship of Prof. Gummadi Nancharaiah has been constituted vide Notification Dt: 8.2.2018.

Now, the Governor of Andhra Pradesh is pleased to decide the following detailed terms of reference of the Fourth State Finance Commission, namely-

1. The State Finance Commission shall review the financial position of the Gram Panchayats, Mandal Parishads, Zilla Parishads and of the Nagar Panchayats, Municipal Councils and Municipal Corporations in the State and make recommendations to the Governor as to:-

(a) The principles which should govem:-

(i) The distribution between the State Government and the Gram Panchayats, Mandal Parishads, Zilla Parishads, Nagar Panchayats, Municipal Councils and Municipal Corporations of the net proceeds of the taxes, duties, tolls and fees livable by the State, which may be divided between them and the allocation between the said bodies at all levels of their respective shares of such proceeds;

(ii) The determination of the taxes, duties, tolls and fees which may be assigned to or apportioned by the said Panchayats, Mandal Parishads, Zilla Parishads, Nagar Panchayats, Municipal Councils, and Municipal Corporations;

(iii) The sharing of grants-in-aid to the said Gram Panchayats, Mandal Parishads, Zilla Parishads, Nagar Panchayats, Municipal Councils and Municipal Corporations from the Consolidated Fund of the State;

(b) The measures needed to improve the financial position of the said Gram Panchayats, Mandal Parishads, Zilla Parishads, Nagar Panchayats, Municipal Councils, and Municipal Corporations including measures for improving the management of available resources;

2. The Commission shall assess the financial requirements of the Panchayats and Municipalities as well as the ways and means to augment their resources to minimize dependence on additional financial support from the State Government in order to achieve swift and impartial fiscal consolidation with further sustainable financial base as to improve the civic services.

3. The Commission shall also recommendations on any other matter that may be referred to it, by the Governor, in the interest of sound finances of Panchayat Raj and Municipal Bodies referred to above.

4. In making its recommendations, the Commission shall have regard among other considerations, to:-

i. Based on the level of taxation and non-tax revenue resources including their ability to raise additional taxes, devolutions, grants from State Government and grants from 14th Finance Commission make projections for the forthcoming years from April, 2020;

ii. Analyze the outstanding debt position of the Panchayats and Municipalities in detail and offer recommendations to establish sound equilibrium between their receipts and expenditures aiming to build up surplus capital savings;

iii. Decrease the debt liabilities of Panchayats and Municipalities, keeping in view their resource capacity and simultaneously widen their resources aiming to reduce the projected gap between their revenue receipts and expenditures;

iv. Appraise tax and non-tax efforts of the Panchayats and Municipalities as against their targets, if any, and explore additional potential resources in order to uplift their tax and non-tax revenues, making their accounts credible and more self dependent keeping in view the suggestions made by the 14th Finance Commission;

v. Scrutinize the timely needs for possible commercialization of public services like drinking water supply system, sanitation, street light etc. by way of imposing user charges, updating rates of levies, taxes, fees etc. as well as privatization of public transport system. This should be done in a way that both public and private agencies are benefited and the people do get adequate services with affordable charges;

vi. Suggest measures for improving accountability of Local Bodies in discharging their functions.

vii. The requirements of the Panchayat Raj Institutions, and Municipal Bodies for meeting the non-plan revenue expenditure on staff and administration etc ;

viii. The requirements of the bodies for capital expenditure for creating assets like, water Supply Schemes, Roads, Bridges, Buildings, Minor irrigation Sources;

ix. The maintenance and upkeep of capital assets like Buildings, Roads, Water Supply Schemes, Minor irrigation sources by the Panchayat Raj Institutions, Municipal Bodies, Municipal Corporations and the norms on the basis on which specified amounts are recommended for the maintenance of assets;

x. The Provisions required for emoluments and terminal benefits of employees;

xi. The status and improvement for computerization of accounts; and

xii. The incentives which may be provided for better realization of taxes and non-taxes.

5. In making the recommendations, the Commission shall have regard to the resources of the State Government and its burden of committed expenditure and liabilities thereon, in particular, on account of expenditure on civil administration, police social economic services and non-plan revenue expenditure and debt servicing, including the debit serving on behalf of local bodies.

6. The Commission shall also have regard to-

(i) Evaluate the revenue receipts and expenditures of the Panchayats and Municipalities on a common scale keeping in view their population and its socio-economic backwardness, geographic location etc. in the process of devolution of funds by means of taxes, duties, tolls, fees and grant-in-aid to the Panchayats and Municipalities;

(ii) Assess the debt liabilities of the Panchayats and Municipalities as on 31st March, 2020 and resolve necessary steps to sustain appropriate debt level;

(iii) Impart quality and cost effective Civic services that bear express installation and render more comforts to the people by using modem technologies. Also after incentives like encouragements to the Panchayats and Municipalities for better utilization of their resources adhering to their financial restrictions;

(iv) Undergo and examine the reforms considered and suggested by the previous State Finance Commissions, endorse and ensure their implementation in the best way that the principles behind them can be attained at optimum level.

(v) Keeping in view the recommendations of 14th Finance Commission, examine the functions assigned to the Zilla Praja Parishads and suggest measures for strengthening their financial base to meet their essential requirements.

7. The Commission shall provide its conclusions along with the basis of their findings as well as the Panchayat and Municipality wise projected estimates of receipts and expenditure.

8. The Commission shall consider the recommendations of the 14th Finance Commission while preparing its report and use the templates devised by the 13th Finance Commission and other guidelines to be issued by Government of India from time to time.

9. The Commission shall make its report available on or before 30th October 2019 covering a period of forthcoming five years commencing on the 1st day of April 2020.

MUDDADA RAVI CHANDRA,
Principal Secretary to Government (FAC).

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